

## AUDITS - YOUR RIGHTS & RESPONSIBILITIES

### Why Me??

Most audits result from computer programs used to identify tax returns that may have incorrect or unusual amounts. The audit may also result from errors identified on your return during processing. It is important for you to know that an audit is not intended to accuse you of any dishonesty.

Some audits are handled entirely by mail. In this case, you will receive a letter with a request for information. You can respond to this request by mail or you can meet with an auditor. When the error is obvious from the information filed with the tax return, no more information is requested. In this case you will receive an audit report.

Audits that cannot be handled by mail can take place at your business, our office, or the office of your representative. The auditor will try to meet your needs when deciding the time, location, and how the audit will take place.

Throughout the audit you can act on your own behalf or have someone represent or accompany you. If you want someone else to represent you in your absence, you must authorize this with an Idaho Power of Attorney form.

### What to Expect During the Audit

Our goal is to treat you courteously and fairly during the entire audit process. Working together, we can complete your audit as quickly as possible.

You can reduce the time the auditor must spend at your business by providing all the requested information promptly. The information you provide may result in more deductions being allowed.

You can help by:

- Being present at the initial appointment.
- Arranging a work area where the books and records are maintained.
- Providing requested information by mutually agreeable due dates.
- Discussing any concerns or questions with the auditor.

The auditor will help by:

- Keeping you informed about the status of your audit.
- Sending all correspondence to you and your representative.
- Explaining the reasons for expanding your audit, if applicable.
- Discussing with you or your representative any proposed changes to your tax liability.
- Explaining your appeal rights and options.

### Things to Know

**Statute of Limitations** – Generally, the statute of limitations to assess or refund taxes expires three years from

the due date of the return or the date the return is filed, whichever is later. You may be asked to sign a “statute waiver” that allows you and the auditor more time to complete the audit and issue findings based on the best information available.

**Audit Period** – The audit period generally covers the three most recent years. Sometimes, the audit covers periods for which the statute of limitation has expired. For example, if a net operating loss or investment tax credit carryover is claimed, the auditor will look at the years where these items originated even though the statute of limitations may have expired.

**Repeat Audits** – If the audit findings have tax consequences in later years, these years will be subject to adjustment and may include a future audit.

**Penalties** – There are several types of penalties. Penalties for underpayment, failure to file or failure to pay are applied automatically. A negligence penalty may be applied for several reasons. These include failure to keep proper records, failure to respond to requests for information, careless disregard of tax obligations, and failure to provide the Tax Commission with a copy of a federal audit within 60 days of a final determination. This penalty may be waived if you can show reasonable cause.

**Interest** - Interest applies from the due date of the return until the date the tax is paid. You will receive a computation of the interest with your audit report. The law does not allow us to waive interest.

## After the Audit

At the end of an audit, the auditor will review the issues with you or your representative. Ask about anything you do not understand. The auditor will take one of these three actions:

- Accept your returns as filed.
- Issue a Notice of Deficiency Determination showing the extra amount of tax you owe as a result of the audit. The Notice will explain the reason for the determination and your right to appeal.
- Issue a Notice of Determination showing you are due a refund or the refund you claimed has been reduced.

If you owe more tax or your refund claim was reduced, you may:

- Agree with the audit and pay the amount due.
- Protest the audit and give the auditor more information. You may ask the auditor to review the new information and modify the audit report.
- Protest the audit and request an informal hearing.

If you disagree with the audit findings, it is your right to protest them. Information explaining your protest rights will be sent with the Notice of Deficiency Determination. If you wish to protest, you can stop interest from increasing by paying the deficiency. This will not influence your protest, and you will get a refund if it is determined you do not owe all or part of the extra tax.

### For more information, contact:

- Idaho State Tax Commission: In the Boise area, 334-7660; Toll free, (800) 972-7660
- Hearing impaired: TDD (800) 377-3529
- **tax.idaho.gov**

This information was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Tax Commission or an attorney.